



FOR IMMEDIATE RELEASE

CONTACT:

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***Santa Clara Wins \$180 Million Victory over 49ers in
Levi's Stadium Rent Dispute & Mayor Seeks Prompt
Payment and Full Transparency***

Time/Date: 2:00 - 3:00 p.m. Monday, August 13, 2018

Location: Mayor's Office, Santa Clara City Hall
1500 Warburton Ave, Santa Clara

Who: Mayor Lisa M. Gillmor, City of Santa Clara

What/Why: Mayor Gillmor invites the 49ers to waive the Lease Agreement's confidentiality to achieve full transparency on the significance of this victory and prompt payment for the City (Stadium Authority) and taxpayers.

At the August 21 Joint Council/Board meeting, Mayor Gillmor will request the Santa Clara Board approve waiving the confidentiality and request the same from the 49ers. Given that the 49ers have expressed concern about the lack of transparency on this matter, waiver of the Confidentiality clause allows the 49ers to promote transparency and demonstrate their interest in the public's understanding of the truth about this dispute.

Santa Clara won a major victory that resolved a \$180 million+ rent dispute with the 49ers. The 49ers' 2016 request for a \$4.25 million/year rent reduction (\$170 million over the 40 year lease term), was denied and, instead, the arbitration triggered by the 49ers resulted in an additional \$262,000 annual rent increase (\$10.48 million over the 40 year lease term) to the City's Stadium Authority. While the arbitration proceeding is confidential, the amount of the rental award itself is a public matter.



City of Santa Clara

The Center of What's Possible

Mayor

Lisa M. Gillmor

Council Members

Debi Davis
Patrick Kolstad
Patricia M. Mahan
Teresa O'Neill
Kathy Watanabe

August 13, 2018

Mr. Al Guido
President, San Francisco Forty Niners
4949 Marie P. DeBartolo Way
Santa Clara, CA 95054

Dear Mr. Guido,

It is clear from your recent statements to the media that we have fundamentally different views of the import of the arbitrator's decision denying your request for an enormous reduction in rent and, instead, increasing your rental obligation to the Stadium Authority. Rahul Chandhok, Vice President of Affairs & Strategic Communications for the Forty Niners has made accusations against me individually through the media regarding a "deceptive approach" and "lack of transparency" relating to the substance of the arbitrator's decision. If in fact you value transparency, as you have claimed prior to the arbitration, I would invite you to waive the confidentiality clause in Section 1.6 of Exhibit L of the Stadium Lease as it pertains to the Arbitrator's statements of decision in the Interim and Final Awards. As I understand it, there is nothing preventing the parties from agreeing to release the Arbitrator's Statement of Decision to the public. I will be asking the Stadium Authority Board to consider a vote on the waiver, as a body, at the August 21st meeting.

The residents of the City of Santa Clara deserve to be fully informed regarding the facts of how the decision was reached. The best interests of the residents and full transparency are my highest priorities. Our mutual agreement to release the Statement of Decision to the public review would eliminate any accusations of deception and reassure the residents of Santa Clara that our belief in the importance of transparency is more than mere rhetoric.

Sincerely,

Lisa Gillmor
Mayor
City of Santa Clara

Cc: City Manager
City Attorney



**City of
Santa Clara**
The Center of What's Possible

RENT PAYMENT ARBITRATION AWARD

(\$ in Million)

	49ers Rent Reduction Request May 2016		Arbitration Award August 2018	
Stadium Rent	\$	24.50	\$	24.50
49ers Rent Reduction Request	\$	19.00	\$	20.25 ⁽¹⁾
Annual Impact to Tax Payers	\$	(5.50)	\$	(4.25)
Loss Over 40 year Term	\$	(220.00)	\$	(170.00)
Additional Arbitration Award ((\$262,000/year for 40 years)			\$	10.48
Risk of Loss /Arbitration Award	\$	(220.00)	\$	180.48

⁽¹⁾ March 2016 49ers Rent Reduction Request

- The 49ers actually sought a rent reduction of over 20%. This was never about a dispute over a 1% increase, or \$262,000. In fact, the 1% is in addition to the Stadium Authority winning the rejection of the 20%.
- In their May 3, 2016 document titled, "A Letter from the San Francisco 49ers," the 49ers sought a rent reduction of \$220 million over the 40 year term of the lease. They requested a reduction from \$24.5 million to \$19 million, and then settled on \$20.25 million to pursue as the rent reduction requested amount.



City of Santa Clara

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Exhibit 1: Summary of 49ers' Facility Rent Payments

49ers' Cash Payments for Facility Rent by Month Received					
	2014-15	2015-16 Budget	2015-16	2016-17	2017-18
April	\$ -	\$ 2,041,667	\$ 4,083,333	\$ 1,125,000	\$ 1,125,000
May	-	2,041,667	2,041,667	1,125,000	1,125,000
June	-	2,041,667	2,041,667	1,125,000	1,125,000
July	-	2,041,667	2,041,667	2,250,000	2,250,000
August	2,041,667	2,041,667	2,041,667	2,250,000	2,250,000
September	8,166,667	2,041,667	2,041,667	2,250,000	2,250,000
October	-	2,041,667	2,041,667	2,250,000	2,250,000
November	2,041,667	2,041,667	2,041,667	2,250,000	2,250,000
December	2,041,667	2,041,667	625,000	2,250,000	2,250,000
January	2,041,667	2,041,667	-	1,125,000	1,125,000
February	6,125,000	2,041,667	-	5,375,000	5,375,000
March	2,041,667	2,041,667	6,625,000	1,125,000	1,125,000

The 49ers withheld **\$5.5M** in Rent. Once resumed, payments were submitted prior to the start of each month.

From: 49ers Communications [<mailto:49ers.Communications@49ers.com>]
Sent: Tuesday, May 03, 2016 2:01 PM
To: 49ers Communications
Subject: A letter from the San Francisco 49ers

A letter from the San Francisco 49ers

Almost a decade ago, the San Francisco 49ers entered into a public-private partnership with the community and the local government to build a successful, world-class sports and entertainment venue that would be prosperous for the City of Santa Clara. That commitment has served the community well, showcasing world-wide both the stadium and city through historic events such as Super Bowl 50, all while surpassing the anticipated financial performance of the venue and contributing millions of dollars to the City's general fund.

Despite tremendous efforts to come to agreement on the contractually obligated rent adjustment, today the 49ers filed for arbitration to enforce the terms of its lease at Levi's Stadium – terms that were unanimously approved by the Santa Clara Stadium Authority Board in 2013.

Guided by a formulaic process agreed to by both the 49ers and the Stadium Authority, Facility Rent under the lease would be set at a number that, when added to all other anticipated Stadium Authority revenues, would be sufficient to cover anticipated Stadium Authority expenses. Put simply, if financial performance had been worse than expected, then the one-time adjustment would increase rent. Because it was far better than expected, the rent is required to be reduced accordingly. That is the nature of the agreement. Unfortunately, that is not how it is working.

Regardless of the dispute, the 49ers look forward to continuing to operate Levi's Stadium in the award-winning manner that led to the building being named by Sports Business Journal as 2015 Sports Facility of the Year and international Venue of the Year at the 2015 Stadium Business Awards. After hosting one of the most popular and successful Super Bowls in history, the 49ers are already working to bring the Super Bowl back to the Bay Area, along with booked events like the 2016 Copa America Centenario and 2019 College Football Playoff National Championship.

There will continue to be serious discussion about this matter in the coming days. It is imperative the community has all the facts to understand the true nature of the dispute and why the costly, time-consuming process of arbitration is, unfortunately, the only remaining course of action. The 49ers organization has always been, and will continue to be, a committed partner to the community.

Here are the facts:

- In March 2012, the Santa Clara Stadium Authority overwhelmingly approved a lease with the 49ers, under which the 49ers have the right to use Levi's Stadium for their home games during each NFL season. The 49ers and the Stadium Authority agreed that through the formulaic process referenced above, rent under the lease would be set at a number that would be sufficient to cover Stadium Authority expenses, including debt payments.

- In June 2013, the Stadium Authority unanimously approved setting the initial rent at \$24.5M, subject to adjustment after the first year of operations, if the actual financial performance of Levi's Stadium differed from what the parties anticipated. In fact, the Stadium Authority's cost for building Levi's Stadium came in \$136M under what the parties budgeted, and Stadium Authority revenues during the construction period and the first two years of operations were substantially greater than anticipated. As a result, per the terms of the lease agreement, rent adjustment is required.

The 49ers, based on extensive consultation and collaboration with the project lenders, concluded that adjusted rent in the range of \$19M would more than satisfy the requirements of the lease and provided their analysis to the Stadium Authority staff and consultants more than six months ago.

The 49ers met with Stadium Authority staff and consultants regularly in the months that followed, responded to all questions and provided all requested backup information and, in an effort to avoid arbitration, accepted every change in assumptions requested by Authority staff and its outside consultants. The result of those changes was an offer by the 49ers to agree to an adjusted annual rent of \$20.25M, more than \$1M higher than required by the terms of the lease in order to avoid the expense and distraction of arbitration. When presenting that rent number to the Stadium Authority, Authority staff noted that the proposed rent, which satisfied the lease requirements, was based on conservative projections, adding additional protection for the Stadium Authority.

The Stadium Authority Board heard presentations on the proposed rent adjustment at two public meetings in March of 2016. At the second of those meetings, representatives from the 49ers and the project lenders provided additional information and responded to all questions. Representatives from the 49ers also met several times with the Mayor to provide further information. Yet, without any suggestion that there was a defect in the model or the number presented, the City Council, acting as the Stadium Authority, voted to invoke the dispute resolution procedures under the lease, thus forcing arbitration.

The 49ers accepted a \$20.25M annual rent figure in the interest of being a good partner with the City and in hopes of concluding the matter without going through the tedious and costly arbitration process. The team remains open to a settlement centered on acceptance of an adjusted rent of \$20.25M despite the fact that the process of binding arbitration could result in a substantially lower rent based on the terms of the lease.

Protections and benefits for the City of Santa Clara and its taxpayers

It must be noted the facility rent does NOT impact the City of Santa Clara General Fund or the City's taxpayers. Ground Rent to the City is unchanged, as is performance-based rent to the City generated from Non-NFL Events, which already sent approximately \$2.5M to the City's General Fund following the 2014 fiscal year and is expected to exceed that amount for the 2015 fiscal year. The City is insulated from expenses of the Stadium Authority; and the Stadium Authority lease has numerous built-in protections to assure its continued operation without any funding from the City. Even as adjusted in accordance with the formula in the lease, the 49ers would still pay rent more than twice that of any other NFL team in the country, including in the new stadia currently under construction and major markets.

Levi's Stadium is considered a national model for successful public-private partnerships that protect and benefit municipalities. The Stadium Authority annual debt service is more than \$8M per year lower than projected. As a result, the contractually mandated reduction in rent achieves the same economic goals that the original \$24.5M rent was set to achieve.

Please feel free to reach out to the 49ers Communications staff should you have any questions or require additional information or resources.

ADDITIONAL RESOURCES

Included below for reference are the Levi's Stadium Rent Adjustment Timeline, a link to the stadium lease agreement approved at the June 11, 2013, City Council meeting, a link to the

presentations made by City staff and the 49ers to Santa Clara City Council on March 22, 2016, and an image comparing recent NFL stadium leases:

Levi's Stadium Rent Adjustment Timeline

- In June 2010, Santa Clara voters approved Measure J, which requires that the 49ers rent provide the Stadium Authority with funds required to pay the Ground Rent and operating and maintenance expenses of the Stadium.

- In March 2012, the City, Santa Clara Stadium Authority and 49ers entered into the lease agreement that the Council specifically determined to be compliant with Measure J. The Council later unanimously approved in June 2013, the amended and restated stadium lease, in connection with the permanent financing.

- In June 2013, in connection with the permanent financing of the stadium, facility rent under the stadium lease was provisionally set at \$24.5M, based on a 40-year projection of Stadium Authority revenues, expenses and debt service. Goldman Sachs, representing the Lenders to the SCSA and the 49ers, collaborated with the SCSA and the 49ers to develop the financial model that produced that provisional rent number. The lease requires a one-time rent adjustment, if the amount of debt service or the operating expenses of the Stadium turn out to be different than the assumptions used in June 2013.

- When the project was completed in 2014, the Stadium Authority annual debt service was more than \$8M lower than the amount on which the \$24.5M rent number was based. This occurred because (i) the 49ers managed construction so that the SCSA's total construction cost was \$136 million under budget, (ii) SBL revenues were substantially greater than projected, and (iii) the 49ers assumed certain construction costs and the related debt as part of their tenant improvements.

- In 2015, after the close of the first year of stadium operations, the 49ers finance staff worked for months with Goldman Sachs to update the original model to reflect actual financial performance of the SCSA during both construction and the first year of operations.

- In November 2015, the 49ers provided the SCSA and its outside advisors with the updated model and the adjusted rent number in the range of \$19M generated by that model. The model included substantial protections for the SCSA in addition to the protections built into the lease.

- Over the next several months, the 49ers met with SCSA staff and the SCSA's outside advisors regularly, and provided prompt responses to hundreds of questions and requests for additional information. The SCSA's financial advisors asked for several changes in the financial model. While not required by the lease, the 49ers agreed to the proposed changes in an effort to avoid the time and expense of arbitration. Those changes resulted in the \$20.25M rent amount that the SCSA staff presented to the SCSA Board at its March 22, 2016, meeting.

- 49ers representatives met with Mayor Gillmor on February 25, 2016, to review the detailed assumptions behind the rent adjustment model and to answer any questions.

- The proposed rent adjustment was discussed at an open SCSA Board meeting on March 8.

- On March 18, 2016, the SCSA staff publically posted its report stating that "\$20.25 million represents the amount of facility rent believed to be sufficient, when combined with other Stadium Authority revenues, to cover debt service and operating expenses in each year of the 40 year lease" and answering all Board and public questions from the March 8 meeting.

- At the March 22 meeting, presentations were made by SCSA staff and the SCSA's outside financial advisors, as well as the 49ers and representatives from Goldman Sachs, and all responded to questions from the Board. Without articulating any dispute with the \$20.25M rent number, the Stadium Authority Board directed the SCSA staff to pursue dispute resolution.

- The Stadium Authority Board notified the 49ers on March 23, 2016, of a dispute under the lease, although the letter did not make clear what the Stadium Authority disputed about the rent.

- The 49ers asked Mayor Gillmor to meet in an attempt to address any outstanding questions and the parties met on April 1, 2016.

- The 49ers attended an informal dispute resolution meeting, as prescribed by the lease, on April 20, 2016. The contents of that meeting were subject to a confidentiality agreement. No resolution was reached.

- On May 3, 2016, the 49ers filed a demand for arbitration to request that an arbitrator enforce the lease.

Stadium lease agreement approved at City Council meeting on June 11, 2013:

- Lease agreement by and between the SCSA and the 49ers ([Click Here](#))
 - Please click on item 4.B.3 on the Agenda page to reveal Supporting Materials on the right side of the page. There you will see five PDFs available to download. Below are the two documents that outline Rent Adjustment
 - § Adoption of a Council Resolution approving the Fir - REPORT 1 OF 3
 - On the 52nd page of the PDF (page marked 27) you will find Article 6.1.2 of the lease which details the parameters of Rent Adjustment, or Rent Reset as referred to in the lease
 - § Adoption of a Council Resolution approving the Fir - REPORT 3 OF 3
 - On the 99th page of the PDF you will find Exhibit J of the lease – Facility Rent Assumptions

Rent Adjustment presentations made to Santa Clara City Council on March 22, 2016:

- Santa Clara City Staff Report, 49ers Presentation on Rent Adjustment ([Click Here](#))
 - Please click on item 16.B on the Agenda page to reveal Supporting Materials on the right side of the page. There you will see two PDFs available to download
 - § Informational Report: Stadium facility rent adjust – REPORT
 - § Informational Report: Stadium facility rent adjust - POST MEETING MATERIAL
 - Click on the PDF icon to download each file

SUMMARY OF RECENT NFL STADIUM LEASES

	LEVI'S STADIUM	U.S. BANK STADIUM	AT&T STADIUM	MERCEDES-BENZ STADIUM	LUCAS OIL STADIUM	UNIVERSITY OF PHOENIX STADIUM
STADIUM DETAILS						
TEAM	49ERS	MINNESOTA VIKINGS	DALLAS COWBOYS	ATLANTA FALCONS	INDIANAPOLIS COLTS	ARIZONA CARDINALS
STADIUM OWNER	SO. CALIF. STADIUM AUTHORITY	MINNESOTA SPORTS AUTHORITY	CITY OF ARLINGTON	GEORGIA CONGRESS AUTHORITY	MARION COUNTY	ARIZONA SPORTS AUTHORITY
LOCATION	SANTA CLARA	MINNEAPOLIS	ARLINGTON	ATLANTA	INDIANAPOLIS	GLENDALE
YEAR COMPLETED	2014	2018 (U/S)	2009	2017 (U/S)	2003	2006
STADIUM SQ. FT.	1.3M	1.3M	3.6M	2.7M	1.3M	1.7M
ANNUAL RENT	\$24.6M	\$19.6M	\$2.6M	\$2.6M	\$8.3M	\$9.3M
RENT/SQ. FT.	\$18.9 / YEAR	\$6.3 / YEAR	\$0.7 / YEAR	\$1.3 / YEAR	\$6.1 / YEAR	\$6.1 / YEAR
LEASE RIGHTS						
NFL GAMES	X	X	X	X	X	X
NON-NFL GAMES	NO	NO	X	X	50% OF REVENUE	NO
NAMING RIGHTS	NO	X	X	X	X	X
PREMIUM SEAT LICENSES	NO	NO	X	NO	N/A	X
SUITE LICENSES	X	X	X	NO	X	X
2ND TEAM	X	X	X	N/A	NO	NO
LEASE EXCLUSIVE USE / YEAR						
ROUND	HOF. RESTAURANT TEAM STORE SUITE 1 OFFICE TEAM LOCKER ROOM, STORAGE AREA 1	HOF. RESTAURANT TEAM STORE SUITE 1 OFFICE TEAM LOCKER ROOM, STORAGE AREA 1	ENTIRE STADIUM	N/A	HOF. RESTAURANT TEAM STORE OWNER'S SUITE OFFICE, TEAM LOCKER ROOM, STORAGE AREA 1	TEAM STORE OWNER'S SUITE OFFICE, TEAM LOCKER ROOM, VIDEO PRODUCTION BOARDS

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